

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6098

BILL NUMBER: SB 79

DATE PREPARED: Nov 19, 1998

BILL AMENDED:

SUBJECT: Uniform Unclaimed Property Act.

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

(A) It includes evidence of receipt of a distribution of a dividend check or other instrument of payment as an indication of interest in the property if the distribution was made by electronic means.

(B) It changes the time periods for presumption of abandonment for unclaimed property to conform to those in the Uniform Unclaimed Property Act. It requires the holder of property presumed abandoned to send written notice to the apparent owner not less than 60 days before reporting the property to the Attorney General (current law requires that it be not less than 30 days), but does not require the holder to send notice if the value of the property is less than \$50.

(C) It requires that tangible property held in a safe deposit box be held for at least 120 days after the property is reported to the Attorney General.

(D) It removes the requirement that the Attorney General publish a notice relating to a traveler's check, money order, or similar instrument presumed abandoned.

(E) It changes the provisions relating to the crediting of dividends, interest, and increments to a presumed owner's account to conform with the Uniform Unclaimed Property Act.

(F) It requires the Attorney General to give notice approving or denying a claim within 90 days after the claim is filed.

(G) It allows a person aggrieved by a decision of the Attorney General on the person's unclaimed property claim to file an original claim in a court of competent jurisdiction. (Current law requires the aggrieved person to contest the decision in an administrative hearing before allowing the person to appeal the decision in court.)

(H) It allows a court to award reasonable attorney's fees to the prevailing party in an action brought by the Attorney General to enforce the Unclaimed Property Act.

(I) It changes the penalty provisions for noncompliance to conform with those in the Uniform Unclaimed Property Act.

(J) It changes the provisions regarding agreements to locate property presumed abandoned to conform with

those in the Uniform Unclaimed Property Act.

(K) It provides that the Unclaimed Property Act does not apply to property held in a foreign country arising out of a foreign transaction.

(L) It also repeals the provisions relating to the administrative hearing and appeal.

Effective Date: July 1, 1999.

Explanation of State Expenditures: Provision (E) requires that the Attorney General pay interest on property other than money (i.e. interest-bearing demand, savings, or time deposit) for every year of accrual. Interest is to accrue when the property is delivered to the Attorney General and ceases on the earlier of the expiration of ten (10) years after delivery or the date on which payment is made to the owner. This provision has fiscal impact on the General Fund because under the current statute, the Attorney General does not pay interest on any property after delivery.

In 1997, the Attorney General collected approximately \$17 million in unclaimed property from all sources. Of that \$17 million, the Attorney General estimates that \$10.2 million represents unclaimed interest- and non-interest bearing funds collected from banks. In 1997, the Attorney General paid out \$5,644,795 in claims. The exact amount of unclaimed interest-bearing funds is not currently available due to a computer system transfer which is scheduled to be completed by the end of the 1998. However, the Attorney General estimates that of the \$5.6 million paid out in claims, 60% is from interest-bearing funds. At a 5% interest rate, approximately \$169,000 in interest would have been paid out in 1997 [$(\$5,644,795 \times .60 \times .05)$].

Any interest *earned* on unclaimed property is deposited into the General Fund.

The following is a four-year history of the amount of unclaimed property collected by the Office of the Attorney General and the amount paid out in claims:

Year	Unclaimed Property Collected	Claims Paid Out
1994	\$8,000,000 (estimated)	\$1,406,380
1995*	\$14,695,453	\$3,556,530
1996	\$16,316,669	\$4,643,913
1997	\$17,000,000 (estimated)	\$5,644,795

* 1995 was the first full year the unclaimed property website was available via the Internet. (The website can be found at: <http://www.state.in.us/cgi-bin/hoosieradvocate/UCP/ucp.cgi>.)

The table above reflects increases in both the amount of unclaimed property collected and the amount of claims paid every year. Consequently, the amount of interest paid will most likely increase annually.

The database used by the Unclaimed Property Division of the Office of the Attorney General would have to be programmed to calculate interest payments. However, because the database is currently being updated, any additional cost required to accommodate the proposal's payment of interest requirement can be absorbed within the agency's existing budget.

Currently, twenty-nine states do not pay interest on unclaimed property, and twenty-two states do (the total of 51 states includes the District of Columbia).

Explanation of State Revenues: The fiscal impact of the provision which increases the fines to be assessed on holders who fail to pay or deliver unclaimed property is minimal because fines are rarely levied by the Office of the Attorney General.

Explanation of Local Expenditures: This bill would impact courts by shortening the time period for which property or proceeds held by a court is presumed abandoned from seven (7) to one (1) year. If the owner or apparent owner has not communicated in writing with the holder (the court in this case) concerning the property or has not otherwise given an indication of interest in the property after one (1) year, the court must treat the property or proceeds as unclaimed property to be collected by the Attorney General.

Explanation of Local Revenues:

State Agencies Affected: Office of the Attorney General.

Local Agencies Affected: Courts.

Information Sources: J.D. Lux, Office of the Attorney General, 233-6312/8438.